

*30 Nov 1977*

I am sure you are all aware of the fact that the Agency retirement policy is not popular, to say the least, with some of our employees. Those who are age 50 plus are generally opposed. It is popular with most younger employees, including those in managerial positions, and with senior management when it thinks about the broad problems of career progression and promotion blockages.

Extensions in service of employees past age 50 is accordingly a very sensitive matter. Each case of extension or reemployment is subject to complaints <sup>or a feeling</sup> of discrimination. In addition, if the individual is a participant in the CIA Retirement System which makes retirement at age 60 a legal requirement, continuation in service appears contrary to the intent of Congress.

For these reasons, the Agency has announced stringent guidelines governing extensions in service and monitors each extension closely. Authority to extend has been reserved by the Director to himself.

The reemployment under contract of retired employees has been less stringently controlled and can be effected at Deputy Director level. Automatically it is more suspect.

in the eyes of employees and is more susceptible to criticism since the retirement does not appear bona fide.

In recognition of this, I sent each Deputy Director in August a detailed listing of all of their reemployed annuitants, reminding them of Agency policy (EXHIBIT 1) and suggesting periodic review to reaffirm the essentiality of such reemployment.

As of 30 October, there are 131 reemployed annuitants. In EXHIBIT 2 is the breakout by using component and types of contract, etc. (PAUSE) At the moment I am only concerned with reemployed Agency employees -- the top line of the exhibit.

Subsequent to my sending the August report to you, I have reexamined our contractual practices and use of annuitants and have become concerned about not only the upward trend in number but other factors as well.

For example, I found a half-dozen annuitants reengaged as independent contractors paid on a fee-per-task basis who were costing the government more to do normal staff-type duties on a part-time basis than a full-time career employee. This has since been corrected.

I then discovered that many of our contract employees are also costing the government more money to perform lesser services than they did as career employees. In many cases it would have been less costly to have extended the employee in service and assign him to his contract duties. Finally, I found that many, if not most, of these reemployed annuitants had actually increased their expendable income by the process of retiring and being reemployed.

This is a strange situation since all of these contracts were in accordance with Agency guidelines and regulations. This presentation is to illustrate what we have been doing and to propose new contractual guidelines.

The present situation arises basically from the belief we all tend to have that a man is worth no less after retirement than before. Accordingly Agency officials tend to push for a contractual salary or fee which when added to the individual's annuity will equal his former gross salary.

There are at least two major fallacies in this approach. The first is that most contractual jobs are considerably less significant in terms of level of responsibility, full utilization of the individual's qualifications. Moreover, in many cases the duties are not even intended to be full-time duties.

salaries and fees to take into consideration the major factors that enter the picture upon retirement -- income taxes and retirement contributions.

*What I am proposing today is merely a new guideline for maximum contract compensation to replace the current one of "former salary". It would apply to independent contractors as well as contract employees. The new guideline is former "take home pay".*  
*Let's turn to Exhibit 3. (Review & discussion)*

SUMMARY

I Propose:

1. More objective and realistic job classification.

(I doubt that many, if any, senior employees should properly be classified as contractual employees within two or three grades of their terminal grades.)

2. That a guideline limit be set on the salary or fee appropriate to the level and amount of work to be done and that this limit be based upon computed net take-home pay.

Objectives:

1. To reduce pressures on Agency officials to reemploy annuitants by making continuing Agency employment less financially beneficial relative to non-government employment.

2. To avoid situations where it actually costs the government more money in annuities and salary (or fees) than it would if the same work were performed by active career employees.

3. To minimize criticism of the Agency by employees not extended or reemployed.

4. To minimize the possibility that CIA will be criticized for evading its own retirement law or be accused of funding its current operations at the expense of the Retirement Fund.